

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, KS

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2018

And

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

...KL...

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Unified School District No. 232
DeSoto, Kansas

We have audited the accompanying fund summary statement of receipts, expenditures, and unencumbered cash – regulatory basis of the Unified School District No. 232, DeSoto, Kansas as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards and *Kansas Municipal Audit and Accounting Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Unified School District No. 232, DeSoto, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 232, DeSoto, Kansas as of June 30, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 232, DeSoto, Kansas as of June 30, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

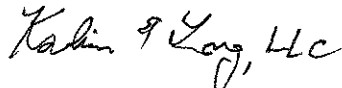
Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with “Government Auditing Standards”, we have also issued our report dated October 31, 2018, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control of financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Audit Standards” in considering the District’s internal control over financial reporting and compliance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, Schedule of receipts and expenditures – nonbudgeted funds, schedule of regulatory basis receipts and expenditures-district activity funds, and summary of receipts and expenditures-agency funds (Schedules 1, 2, 3, 4 and 5 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required but U.S Office of Management and Budget “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS

October 31, 2018

USD #232 DESOTO, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds							
General	\$ 0	0	\$ 40,049,586	\$ 40,049,586	\$ 0	\$ 4,577,894	\$ 4,577,894
Supplemental General	558,352	0	14,726,125	14,617,337	667,140	559,163	1,226,303
Special Purpose Funds							
Career and Postsecondary Education	91,160	0	1,887,864	1,882,945	96,079		96,079
Special Education	711,411	0	10,339,318	10,338,032	712,697		712,697
Driver Education	37,321	0	67,160	74,861	29,620		29,620
Food Service	361,401	0	3,331,327	3,239,758	452,970		452,970
Capital Outlay	14,115,902	0	6,060,306	4,023,249	16,152,959	718,964	16,871,923
Gifts and Grants	19,688	0	40,028	27,396	32,320		32,320
Extraordinary Growth Facilities	3,185	0	0	3,185	0		0
Professional Development	116,020	0	50,935	45,292	121,663		121,663
KPERS Special Contribution	0	0	5,045,974	5,045,974	0		0
Bilingual Education	27,087	0	347,000	345,950	28,137		28,137
Parent Education	13,343	0	169,363	171,699	11,007	2,320	13,327
Special Assessment	83,139	0	155,071	136,964	101,246		101,246
At Risk (4 Year Old)	4,681	0	48,500	48,466	4,715		4,715
At Risk (K-12)	32,829	0	1,483,024	1,482,828	33,025		33,025
Cost of Living	103,432	0	1,829,321	1,907,116	25,637		25,637
District Activity Funds	633,239	0	1,886,713	1,912,257	607,695		607,695
Textbook Student Materials Fund	264,685	0	585,476	257,509	592,652	45,962	638,614
Contingency Reserve Fund	2,800,000	0	0	0	2,800,000		2,800,000
Special Reserve Fund	652,326	0	4,054,653	3,354,544	1,352,435		1,352,435
Title I	0	0	149,138	149,138	0		0
Title IIA - Teacher Quality	8,015	0	96,566	93,179	11,402		11,402
Title IV - 21st CLE Grant	0	0	0	0	0		0
Title IIIA - English Acquisition	3,707	0	19,299	22,906	100	5,837	5,937
Debt Service Funds							
Bond and Interest Fund	22,142,267	0	17,739,014	17,568,634	22,312,647		22,312,647
Capital Projects Funds							
Capital Projects - 2014 Building	3,753,951	0	23,332	3,777,283	0	1,473,631	1,473,631
Total Reporting Entity	\$ 46,537,141	\$ 0	\$ 110,185,093	\$ 110,576,088	\$ 46,146,146	\$ 7,383,771	\$ 53,529,917
Composition of Cash							
							\$ (2,547,331)
							200,672
							56,193,531
							53,846,872
							316,955
							\$ 53,529,917

Composition of Cash

Checking Accounts	\$
Savings Accounts	
Petty Cash	
Municipal Investment Pool	
Total Cash	
Agency Funds per Statement 4	
Total Reporting Entity	\$

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No. 232 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No. 232 (b) organizations for which USD No. 232 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No.232 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2018:

Governmental Funds

General Fund– The chief operating fund. Used to account for the resources except those required to be accounted for in another fund.

Special Purpose Funds – Used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long term debt) that are intended for specified purposes.

Bond and Interest Funds – Used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency Funds – Funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, activity accounts, etc.).

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party.

All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year 2018.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the district for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special purpose funds:

Textbook Student Material Fund	Contingency Reserve Fund
Title IIA Fund	Title IIIA Fund
Title I Fund	Title IV Fund
Special Reserve Fund	District Activity Funds

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimates.

NOTE 2 – Deposits and Investments

Deposits

As of June 30, 2018 the Municipality had the following investments and maturities.

K.S.A. 9-1401 establishes the depositories which may be used by the government. The statute requires banks eligible to hold the government's funds have a main or branch bank in the county in which the government is

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

Deposits (Continued)

located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices.

Investments	Fair Value	Less than 1 year	1-2	Rating U.S
Kansas Municipal Investment Pool	\$56,193,531	\$ 56,193,531		S&P AA Af/S1+

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405. The Municipality's allocation of investments as of June 30, 2018.

Investments	Percentage of Investments
Kansas Municipal Investment Pool	100%

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the

State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2018.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

At June 30, 2018, the government's carrying amount of deposits was \$ -2,346,659 and the bank balance was \$ 420,031. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the district's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

As of June 30, 2018 the Municipality had invested \$56,193,531 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – USD 232 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

Contributions – K.S.A 74-4919 and K.S.A. 74-49,210 establish the KPERS member employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015 Kansas law established the KPERS member-employee contributions rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017 the actuarially determined employer contribution rate was 12.01% for the fiscal year June 30, 2018, Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state

general fund expanded lottery act revenue funds for employer contributions to KPERS deferred. The amount deferred for school contributions was \$92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments per SB249 for nullified per HB2052 during the year 2017

The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2017, received as of June 30th was \$304,596,361. Per the 2017 Senate Substitute for the House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at level dollar amount commencing in fiscal year 2018. The level dollar was computed to be \$6.4 million dollars per year.

The State of Kansas is required to contribute the statutory required employers share except for the retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$5,045,974 for the year ended June 30, 2018

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

Net Pension Liability At June 30, 2018 the District's proportionate share of collective net pension liability reported by KPERS was \$57,903,866. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website www.kpers.org or can be obtained as described above.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the district carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Stewardship, Compliance and Accountability

We noted no violations of Kansas statutes for the period under audit.

NOTE 6 – Compensated Absences

Vacation time off with pay is available to eligible employees who work a 260 day contract. Upon employment in an eligible position and continuing through 5 consecutive years of employment, the employee is entitled to 10 vacation days each year, accrued monthly.

Beginning on the anniversary of the 6th year of employment, the employee is entitled to 15 vacation days, accrued monthly. Vacation days are noncumulative to the next year.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Compensated Absences (continued)

The District grants all eligible employees short term leave at the rate of one day, equal to the hours worked per day, for every full month of service. In the event of termination or retirement certified employees are compensated for unused short term leave at a rate of \$40.00 per day. Classified employees, who give a two week notice of their resignation, are compensated for unused short term leave at a rate of \$ 20.00 per day.

NOTE 7 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

NOTE 8 – Capital Projects

On April 13, 2015, the Board of the District approved construction of the project, DeSoto High School Phase III in the amount of \$ 21,429,825 for the purpose of constructing, furnishing, and equipping DeSoto High School as well as athletic fields and other school facilities.

At year-end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	<u>Expenditures To Date</u>	<u>Project Authorization</u>
DeSoto High School Phase III	\$ 21,429,825	\$ 21,429,825

NOTE 9 – In-Substance Receipt in Transit

The district received \$ 3,148,478 subsequent to June 30, 2018 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2018.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Subsequent Events

Subsequent events for management's review have been evaluated through October 31, 2018. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 11 – Related Party Transactions

The District contracts for lawn maintenance services with a company that is controlled by a Board of Education member. The District paid \$ 47,950 during the 2017-2018 school year for services from the entity owned by the board member. The board member does recuse himself regarding payments to his company.

NOTE 12 – Interfund Transactions

From	To	Statutory Authority	Amount
General Fund	Special Education Fund	K.S.A. 72-6478	\$ 5,280,000
Supplemental General Fund	At-Risk Fund (K-12)	K.S.A. 72-6478	1,476,500
Supplemental General Fund	At-Risk Fund (4 Yr Old)	K.S.A. 72-6478	48,500
Supplemental General Fund	Parent Education Fund	K.S.A. 72-6478	64,500
Supplemental General Fund	Special Education Fund	K.S.A. 72-6478	3,605,000
Supplemental General Fund	Career and Postsecondary	K.S.A. 72-6478	1,856,000
Supplemental General Fund	Prof. Development Fund	K.S.A. 72-6478	50,000
Supplemental General Fund	Bi-Lingual Education Fund	K.S.A. 72-6478	347,000
Supplemental General Fund	Food Service Fund	K.S.A. 72-6478	25

NOTE 13 – Indebtedness

The District is subject to the statutes of the State of Kansas that limits the net bonded debt. The debt outstanding may not exceed 14% of the assessed value of all tangible taxable property within the District unless additional authority is granted by the Kansas State Board of Education. The amount of bonds outstanding is computed exclusive of certain bonds specifically exempted from this limitation. At June 30, 2018, the statutory limit for the district was \$ 70,287,530 thus creating excess indebtedness of \$ 57,827,470. The outstanding bond principal represents 25.52% of the District valuation. The District has received approval from the Kansas State Board of Education to exceed the general bond debt limitation.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 15 – Operating leases

The District has entered into a lease for Apple and Dell Computer Devices in the amount of \$ 1,871,046 over a four year period with First American Education Finance. The amount to be paid annually is \$ 467,761. The lease is considered a Fair Market Value Lease where the equipment is to be returned at the end of the lease term, or it may be purchased at fair market value or continued to be rented. The lease also has an addendum per the State of Kansas Contractual Provisions Attachment in which the District can terminate the lease due to a lack of funding appropriation.

The District has entered into a lease for Toshiba copy machines in the amount of \$ 556,700 over a five year period with First American Education Finance. The amount to be paid annually is \$ 111,340. The lease is considered a Fair Market Value Lease where the equipment is to be returned at the end of the lease term, or it may be purchased at fair market value or continued to be rented. The lease also has an addendum per the State of Kansas Contractual Provisions Attachment in which the District can terminate the lease due to a lack of funding appropriation.

USD #232 DESOTO, KANSAS

NOTES TO FINANCIAL STATEMENTS

Note 16-

Changes in long term liabilities for the district for the year ended June 30, 2018 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
2008-A Issue	3.13%	2/20/08	20,880,000	9/1/19	\$ 4,515,000	\$	\$ 1,130,000	\$ (1,130,000)	\$ 3,385,000	\$ 138,251
2009 Issue	4.14%	6/9/09	25,000,000	9/1/29	21,975,000		740,000	(740,000)	21,235,000	892,212
2010-A Issue	3.80%	1/28/10	27,000,000	9/1/35	22,465,000		820,000	(820,000)	21,645,000	1,300,541
2011-A Issue	2.26%	12/29/11	20,010,000	9/1/23	15,750,000		1,300,000	(1,300,000)	14,450,000	683,500
2015-A Issue	1.63%	1/28/15	26,950,000	9/1/23	24,635,000		4,005,000	(4,005,000)	20,630,000	985,300
2015-B Issue	3.01%	6/18/15	53,415,000	9/1/35	50,275,000		3,505,000	(3,505,000)	46,770,000	2,068,831
Total Contractual Indebtedness					\$ 139,615,000	\$ 0	\$ 11,500,000	\$ (11,500,000)	\$ 128,115,000	\$ 6,068,635
Principal										
		2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2036	Total
General Obligation Bonds	\$ 11,965,000	\$ 12,295,000	\$ 12,740,000	\$ 12,390,000	\$ 12,630,000	\$ 21,630,000	\$ 11,630,000			\$ 128,115,000
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases										0
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Principal	11,965,000	12,295,000	12,740,000	12,390,000	12,630,000	21,630,000	11,630,000			128,115,000
Interest										
General Obligation Bonds	5,166,059	4,609,579	4,018,804	3,416,099	2,825,809	3,581,885	1,212,916			33,868,327
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases										0
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Interest	5,166,059	4,609,579	4,018,804	3,416,099	2,825,809	3,581,885	1,212,916			33,868,327
Total Principal and Interest	\$ 17,131,059	\$ 16,904,579	\$ 16,758,804	\$ 15,806,099	\$ 15,455,809	\$ 25,211,885	\$ 12,842,916			\$ 161,983,327

Unified School District No. 232, DeSoto, Kansas

Regulatory-Required

Supplementary Information

For the year ended June 30, 2018

USD #232 DESOTO, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

Schedule 1

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Funds						
General	\$ 40,560,858	\$ (511,272)	\$ 0	\$ 40,049,586	\$ 40,049,586	\$ 0
Supplemental General	14,710,698	(93,361)	0	14,617,337	14,617,337	0
Special Purpose Funds						
Vocational Education	1,983,024	0	0	1,983,024	1,882,945	(100,079)
Special Education	10,652,870	0	0	10,652,870	10,338,032	(314,838)
Driver Training	95,673	0	0	95,673	74,861	(20,812)
Food Service	3,871,875	0	0	3,871,875	3,239,758	(632,117)
Capital Outlay	19,718,273	0	0	19,718,273	4,023,249	(15,695,024)
Gifts and grants	84,689	0	0	84,689	27,396	(57,293)
Extraordinary Growth Facilities Program	3,185	0	0	3,185	3,185	0
Professional Development	133,000	0	0	133,000	45,292	(87,708)
KPERS Special Contribution	5,300,318	0	0	5,300,318	5,045,974	(254,344)
Bilingual Education	347,087	0	0	347,087	345,950	(1,137)
Parent Education	174,996	0	0	174,996	171,699	(3,297)
At-Risk Fund (4 Year Old)	52,780	0	0	52,780	48,466	(4,314)
At-Risk Fund (K-12)	1,482,828	0	0	1,482,828	1,482,828	0
Cost of Living	1,923,346	0	0	1,923,346	1,907,116	(16,230)
Special assessment	160,000	0	0	160,000	136,964	(23,036)
Bond and Interest Funds						
Bond and Interest	17,568,634	0	0	17,568,634	17,568,634	0

USD #232 DESOTO, KS

GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	40,049,586	40,049,586	0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>40,049,586</u>	<u>40,049,586</u>	<u>0</u>
EXPENDITURES			
Instruction	26,172,762	26,368,900	(196,138)
Student support services	1,251,417	1,203,230	48,187
Instruction support staff	1,802,072	2,081,933	(279,861)
General administration	558,123	650,220	(92,097)
School administration	2,906,612	2,928,050	(21,438)
Operations and maintenance	1,256,733	1,225,000	31,733
Student transportation services			0
Central support services	821,867	847,500	(25,633)
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	5,280,000	5,256,025	23,975
Adjustment to comply with legal max		(511,272)	511,272
Adjustment for qualifying budget credits		0	0
	<u>40,049,586</u>	<u>\$ 40,049,586</u>	<u>\$ 0</u>
Total Expenditures			
	<u>40,049,586</u>	<u>\$ 40,049,586</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>		

USD #232 DESOTO, KS

SUPPLEMENTAL GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 7,941,404	\$ 8,092,948	\$ (151,544)
Delinquent tax	4,296	25,883	(21,587)
Motor vehicle tax	822,643	774,036	48,607
RV tax	5,244	4,798	446
Commercial vehicle tax	31,259	38,819	(7,560)
Federal grants			0
State aid/grants	5,921,279	5,921,279	0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>14,726,125</u>	<u>14,857,763</u>	<u>(131,638)</u>
EXPENDITURES			
Instruction	1,263,219	655,700	607,519
Student support services	601,801	569,220	32,581
Instruction support staff	16,374		16,374
General administration	449,244	525,000	(75,756)
School administration		12,361	(12,361)
Operations and maintenance	2,700,902	3,536,189	(835,287)
Student transportation services	2,124,924	2,326,428	(201,504)
Central support services	13,348		13,348
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	7,447,525	7,085,800	361,725
Adjustment to comply with legal max		(93,361)	93,361
Adjustment for qualifying budget credits			0
Total Expenditures	<u>14,617,337</u>	<u>\$ 14,617,337</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	108,788		
Unencumbered Cash, Beginning	558,352		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 667,140</u>		

USD #232 DESOTO, KS

CAREER AND POSTSECONDARY EDUCATION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants	31,864		31,864
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues		31,864	(31,864)
Operating transfers	<u>1,856,000</u>	<u>1,860,000</u>	<u>(4,000)</u>
Total Cash Receipts	<u>1,887,864</u>	<u>1,891,864</u>	<u>(4,000)</u>
EXPENDITURES			
Instruction	1,882,945	1,983,024	(100,079)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,882,945</u>	<u>\$ 1,983,024</u>	<u>\$ (100,079)</u>
Receipts Over (Under) Expenditures	4,919		
Unencumbered Cash, Beginning	91,160		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 96,079</u>		

USD #232 DESOTO, KS

SPECIAL EDUCATION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants	1,128,080	1,221,647	(93,567)
State aid/grants			0
Charges for services	204,866	225,000	(20,134)
Interest income			0
Miscellaneous revenues	121,372		121,372
Operating transfers	<u>8,885,000</u>	<u>8,454,325</u>	<u>430,675</u>
Total Cash Receipts	<u>10,339,318</u>	<u>9,900,972</u>	<u>438,346</u>
EXPENDITURES			
Instruction	8,749,145	8,868,700	(119,555)
Student support services			0
Instruction support staff	333,936	345,690	(11,754)
General administration	228,187	218,680	9,507
School administration			0
Operations and maintenance	4,762	4,800	(38)
Student transportation services	1,022,002	1,215,000	(192,998)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>10,338,032</u>	<u>\$ 10,652,870</u>	<u>\$ (314,838)</u>
Receipts Over (Under) Expenditures	1,286		
Unencumbered Cash, Beginning	711,411		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 712,697</u>		

USD #232 DESOTO, KS

DRIVER TRAINING FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants	25,984	36,400	(10,416)
Charges for services	41,176	44,000	(2,824)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>67,160</u>	<u>80,400</u>	<u>(13,240)</u>
EXPENDITURES			
Instruction	69,930	88,248	(18,318)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	4,931	7,425	(2,494)
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>74,861</u>	<u>\$ 95,673</u>	<u>\$ (20,812)</u>
Receipts Over (Under) Expenditures	(7,701)		
Unencumbered Cash, Beginning	37,321		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 29,620</u>		

USD #232 DESOTO, KS

FOOD SERVICE FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants	832,473	1,047,715	(215,242)
State aid/grants	35,795	38,800	(3,005)
Charges for services	2,462,963	2,593,300	(130,337)
Interest income	71	500	(429)
Miscellaneous revenues			0
Operating transfers	<u>25</u>	<u></u>	<u>25</u>
Total Cash Receipts	<u>3,331,327</u>	<u>3,680,315</u>	<u>(348,988)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	3,239,758	3,871,875	(632,117)
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>3,239,758</u>	<u>\$ 3,871,875</u>	<u>\$ (632,117)</u>
Receipts Over (Under) Expenditures	91,569		
Unencumbered Cash, Beginning	361,401		
Prior Year Cancelled Encumbrances	<u></u>		
Unencumbered Cash, Ending	\$ <u>452,970</u>		

USD #232 DESOTO, KS

CAPITAL OUTLAY FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 3,997,900	\$ 3,792,162	\$ 205,738
Delinquent tax	443	14,988	(14,545)
Motor vehicle tax	433,012	408,391	24,621
RV tax	2,760	2,532	228
Commercial vehicle tax	17,034	20,481	(3,447)
Federal grants			0
State aid/grants	1,319,128	1,285,258	33,870
Charges for services			0
Interest income	260,754	50,000	210,754
Miscellaneous revenues	29,275	28,560	715
Operating transfers			0
Total Cash Receipts	<u>6,060,306</u>	<u>5,602,372</u>	<u>457,934</u>
EXPENDITURES			
Instruction	1,919,975	4,700,000	(2,780,025)
Student support services		450,000	(450,000)
Instruction support staff		400,000	(400,000)
General administration		100,000	(100,000)
School administration		100,000	(100,000)
Operations and maintenance	2,103,274	8,918,273	(6,814,999)
Student transportation services			0
Central support services		50,000	(50,000)
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services		5,000,000	(5,000,000)
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>4,023,249</u>	<u>\$ 19,718,273</u>	<u>\$ (15,695,024)</u>
Receipts Over (Under) Expenditures	2,037,057		
Unencumbered Cash, Beginning	14,115,902		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 16,152,959</u>		

USD #232 DESOTO, KS

GIFTS & GRANTS FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	40,028	65,000	(24,972)
Operating transfers			0
Total Cash Receipts	<u>40,028</u>	<u>65,000</u>	<u>(24,972)</u>
EXPENDITURES			
Instruction	7,676	62,233	(54,557)
Student transportation services			0
Instruction support staff	19,720	22,456	(2,736)
General administration			0
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>27,396</u>	<u>\$ 84,689</u>	<u>\$ (57,293)</u>
Receipts Over (Under) Expenditures	12,632		
Unencumbered Cash, Beginning	19,688		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 32,320</u>		

USD #232 DESOTO, KS

EXTRAORDINARY GROWTH FACILITIES FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts			
EXPENDITURES			
Instruction			0
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	3,185	3,185	0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>3,185</u>	<u>3,185</u>	<u>0</u>
Total Expenditures			
Receipts Over (Under) Expenditures	(3,185)		
Unencumbered Cash, Beginning	3,185		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

See Note 5

USD #232 DESOTO, KS

PROFESSIONAL DEVELOPMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants	935	11,600	(10,665)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total Cash Receipts	<u>50,935</u>	<u>61,600</u>	<u>(10,665)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	45,292	113,000	(67,708)
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services		20,000	(20,000)
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>45,292</u>	<u>\$ 133,000</u>	<u>\$ (87,708)</u>
Receipts Over (Under) Expenditures	5,643		
Unencumbered Cash, Beginning	116,020		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 121,663</u>		

USD #232 DESOTO, KS

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants	5,045,974		5,045,974
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers		5,300,318	(5,300,318)
Total Cash Receipts	5,045,974	5,300,318	(254,344)
EXPENDITURES			
Instruction	5,045,974	3,752,625	1,293,349
Student support services		204,592	(204,592)
Instruction support staff		205,652	(205,652)
General administration		76,855	(76,855)
School administration		307,418	(307,418)
Operations and maintenance		509,361	(509,361)
Student transportation services			0
Central support services		87,456	(87,456)
Other support services			0
Food service operations		156,359	(156,359)
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	5,045,974	\$ 5,300,318	\$ (254,344)
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 0		

USD #232 DESOTO, KS

BILINGUAL EDUCATION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>347,000</u>	<u>320,000</u>	<u>27,000</u>
Total Cash Receipts	<u>347,000</u>	<u>320,000</u>	<u>27,000</u>
EXPENDITURES			
Instruction	345,950	347,087	(1,137)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>345,950</u>	<u>\$ 347,087</u>	<u>\$ (1,137)</u>
Receipts Over (Under) Expenditures	1,050		
Unencumbered Cash, Beginning	27,087		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 28,137</u>		

USD #232 DESOTO, KS

PARENT EDUCATION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants	103,953	103,953	0
Charges for services			0
Interest income			0
Miscellaneous revenues	910		910
Operating transfers	<u>64,500</u>	<u>57,700</u>	<u>6,800</u>
Total Cash Receipts	<u>169,363</u>	<u>161,653</u>	<u>7,710</u>
EXPENDITURES			
Instruction			0
Student support services	170,449	174,496	(4,047)
Instruction support staff	1,250	500	750
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>171,699</u>	<u>\$ 174,996</u>	<u>\$ (3,297)</u>
Receipts Over (Under) Expenditures	(2,336)		
Unencumbered Cash, Beginning	13,343		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 11,007</u>		

USD #232 DESOTO, KS

SPECIAL ASSESSMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 152,080	\$ 144,615	\$ 7,465
Delinquent tax	192	268	(76)
Motor vehicle tax	2,604	2,564	40
RV tax	17	16	1
Commercial vehicle tax	178	129	49
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>155,071</u>	<u>147,592</u>	<u>7,479</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	136,964	160,000	(23,036)
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>136,964</u>	<u>\$ 160,000</u>	<u>\$ (23,036)</u>
Receipts Over (Under) Expenditures	18,107		
Unencumbered Cash, Beginning	83,139		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 101,246</u>		

USD #232 DESOTO, KS

AT RISK FUND (4 Year Old)
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>48,500</u>	<u>48,100</u>	<u>400</u>
Total Cash Receipts	<u>48,500</u>	<u>48,100</u>	<u>400</u>
EXPENDITURES			
Instruction	48,466	52,780	(4,314)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>48,466</u>	<u>\$ 52,780</u>	<u>\$ (4,314)</u>
Receipts Over (Under) Expenditures	34		
Unencumbered Cash, Beginning	4,681		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 4,715</u>		

USD #232 DESOTO, KS

AT RISK FUND (K-12)

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Commercial vehicle tax			0
Federal grants			0
State aid/grants			0
Charges for services	6,524		6,524
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>1,476,500</u>	<u>1,450,000</u>	<u>26,500</u>
Total Cash Receipts	<u>1,483,024</u>	<u>1,450,000</u>	<u>33,024</u>
EXPENDITURES			
Instruction	1,473,266	1,482,828	(9,562)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	9,562		9,562
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,482,828</u>	<u>\$ 1,482,828</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	196		
Unencumbered Cash, Beginning	32,829		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 33,025</u>		

USD #232 DESOTO, KS

BOND AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 10,070,769	\$ 9,547,472	\$ 523,297
Delinquent tax	7,065	43,619	(36,554)
Motor vehicle tax	1,350,430	1,271,322	79,108
RV tax	8,608	7,882	726
Commercial vehicle tax	51,796	63,758	(11,962)
Federal grants			0
State aid/grants	5,657,801	5,486,353	171,448
Charges for services			0
Interest income	168,091	20,000	148,091
Miscellaneous revenues	424,454	423,781	673
Operating transfers			0
Total Cash Receipts	<u>17,739,014</u>	<u>16,864,187</u>	<u>874,827</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service	17,568,634	17,568,634	0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>17,568,634</u>	<u>\$ 17,568,634</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	170,380		
Unencumbered Cash, Beginning	22,142,267		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 22,312,647</u>		

USD #232 DESOTO, KS

COST OF LIVING FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2018

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 1,580,544	\$ 1,608,969	\$ (28,425)
Delinquent tax	1,368	6,790	(5,422)
Motor vehicle tax	237,170	222,651	14,519
RV tax	1,512	1,381	131
Commercial vehicle tax	8,727	11,166	(2,439)
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>1,829,321</u>	<u>1,850,957</u>	<u>(21,636)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	1,907,116	1,923,346	(16,230)
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,907,116</u>	<u>\$ 1,923,346</u>	<u>\$ (16,230)</u>
Receipts Over (Under) Expenditures	(77,795)		
Unencumbered Cash, Beginning	103,432		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 25,637</u>		

USD #232 DESOTO, KS

NONBUDGETED FUNDS
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2018

	Textbook Student material Revolving	Contingency Reserve	Special Reserve	Title 1
CASH RECEIPTS				
Taxes and Shared Revenue				
Ad valorem property tax	\$	\$	\$	\$
Delinquent tax				
Motor vehicle tax				
RV tax				
Federal grants				149,138
State aid/grants				
Charges for services	585,476			
Interest income				
Miscellaneous revenues			4,054,653	
Operating transfers				
Total Cash Receipts	<u>585,476</u>	<u>0</u>	<u>4,054,653</u>	<u>149,138</u>
EXPENDITURES				
Instruction	257,509		3,354,544	149,138
Student support services				
Instruction support staff				
General administration				
School administration				
Operations and maintenance				
Student transportation services				
Central support services				
Other support services				
Food service operations				
Student activities				
Facility acquisition and construction services				
Debt service				
Operating transfers				
Adjustment for qualifying budget credits				
Total Expenditures	<u>257,509</u>	<u>0</u>	<u>3,354,544</u>	<u>149,138</u>
Receipts Over (Under) Expenditures	327,967	0	700,109	0
Unencumbered Cash, Beginning	264,685	2,800,000	652,326	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 592,652</u>	<u>\$ 2,800,000</u>	<u>\$ 1,352,435</u>	<u>\$ 0</u>

USD #232 DESOTO, KS

NONBUDGETED FUNDS
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended June 30, 2018

	<u>Title II-A Teacher Quality</u>	<u>Title IV - 21st CLC Grant</u>	<u>Title III-A English Acquisition</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Federal grants	96,566		19,299
State aid/grants			
Charges for services			
Interest income			
Miscellaneous revenues			
Operating transfers			
	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>96,566</u>	<u>0</u>	<u>19,299</u>
EXPENDITURES			
Instruction	93,179		22,906
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>93,179</u>	<u>0</u>	<u>22,906</u>
Receipts Over (Under) Expenditures	3,387	0	(3,607)
Unencumbered Cash, Beginning	8,015	0	3,707
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>11,402</u>	\$ <u>0</u>	\$ <u>100</u>

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
DeSoto High School Athletics	\$ 49,924	\$	\$ 218,914	\$ 225,636	\$ 43,202	\$	43,202
Mill Valley High School Athletics	93,152		223,270	232,788	83,634	-	83,634
Millcreek Middle School Athletics	1,354		32,767	32,463	1,658	-	1,658
Monticello Trails Middle School	5,489		27,177	24,026	8,640	-	8,640
Lexington Trails Middle School	12,804		43,502	47,435	8,871	-	8,871
Subtotal Gate Receipts	162,723	0	545,630	562,348	146,005	0	146,005
School Projects							
DeSoto High School							
Journalism	31,238		50,577	58,025	23,790	-	23,790
Miscellaneous fees	72,803		81,017	85,917	67,903	-	67,903
Board clearing	(68)		171,735	169,172	2,495	-	2,495
Mill Valley High School							
Journalism	47,000		105,121	101,660	50,461	-	50,461
Miscellaneous fees	71,586		119,989	111,879	79,696	-	79,696
Board clearing	5,436		234,970	231,415	8,991	-	8,991
Monticello Trails School							
Boat projects	6,459		1,882	6,365	1,976	-	1,976
Fees/Activities/Field trips	82,950		42,530	38,024	87,456	-	87,456
Library	149		120	137	132	-	132
Vending	1,224		1,875	1,736	1,363	-	1,363
PTA/Donations	0		5,747	5,471	276	-	276
Board clearing	1,864		63,897	64,960	801	-	801
Lexington Trails School							
Activities	234			80	154	-	154
Library	1,767		171	1,670	268	-	268
Concession	1,198		2,027	2,818	407	-	407
Field trip	243		380	623	0	-	-
Engineering applications	895		1,785	2,622	58	-	58
Agenda	1,833		1,240	1,456	1,617	-	1,617
Board clearing	279		20,912	20,070	1,121	-	1,121
Millcreek Middle School							
Board clearing	981		46,876	47,664	193	-	193
Miscellaneous	(287)		3,754	3,127	340	-	340
Field trip	160		12,188	12,329	19	-	19
Engineering Apps	1,189		3,665	4,789	65	-	65
PTA	1,688		3,761	4,510	939	-	939
Library	216		218	325	109	-	109
Musical	1,894		3,123	2,407	2,610	-	2,610

USD #232 DESOTO, KS
DISTRICT ACTIVITY FUNDS
Schedule of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Riverview Elementary School							
Library	441		291	505	227	-	227
Annual	22,488		11,251	14,621	19,118	-	19,118
Field trip & Activities	471		3,711	3,385	797	-	797
Board clearing	1,058		22,831	23,822	67	-	67
Starside Elementary School							
Library	8,333		5,920	6,859	7,394	-	7,394
Activities	5,181		29,590	22,308	12,463	-	12,463
Full Day kdg	200		1,283	1,383	100	-	100
Field trip	652		449		1,101	-	1,101
Lifetouch	2,351		2,257	3,743	865	-	865
Board clearing	709		15,261	12,463	3,507	-	3,507
Clear Creek Elementary School							
Library	880		482	867	495	-	495
Pictures/Annual	7,955		11,693	10,866	8,782	-	8,782
Grants/Other	666				666	-	666
Board clearing	2,954		30,462	33,240	176	-	176
Prairie Ridge Elementary School							
Pictures/Annual	5,294		2,045	3,024	4,315	-	4,315
Library	855		363	308	910	-	910
Field trip & Activities	518		1,958	2,021	455	-	455
Board clearing	13,995		29,828	38,638	5,185	-	5,185
Horizon Elementary School							
Pictures/Annual	15,161		6,162	6,909	14,414	-	14,414
Library	5,855		1,681	854	6,682	-	6,682
Field trip/Other	22		4,076	4,094	4	-	4
Board clearing	2,970		24,538	27,321	187	-	187
Belmont Elementary School							
Library	1,688		522	7	2,203	-	2,203
Field trip/Other	288		1,368	1,374	282	-	282
Preschool/ Full Day kdg	5,358		87,853	84,531	8,680	-	8,680
Board clearing	7,615		17,855	18,869	6,601	-	6,601
Mize Elementary School							
Library	5,981		1,794	1,278	6,497	-	6,497
Activities	9,331		14,614	15,430	8,515	-	8,515
Pictures/Annual	5,574		959	570	5,963	-	5,963
Field trip/Other	2,481		6,227	7,047	1,661	-	1,661
Board clearing	260		24,199	24,321	138	-	138
Subtotal School Projects	470,516	0	1,341,083	1,349,909	461,690	0	461,690
Total District Activity Funds	\$ 633,239	\$ 0	\$ 1,886,713	\$ 1,912,257	\$ 607,695	\$ 0	\$ 607,695

AGENCY FUNDS

Summary of Receipts and Disbursements

Regulatory Basis

For the Year Ended June 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
DeSoto High School Activity Funds				
Student Clubs	\$ 13,789	\$ 8,552	\$ 12,549	\$ 9,792
Academic Clubs	39,011	198,154	205,888	31,277
Athletic Support Groups	19,273	52,281	55,900	15,654
Classes	16,742	20,537	25,602	11,677
Mill Valley School Activity Funds				
Student Clubs	26,346	78,112	59,899	44,559
Academic Clubs	85,371	176,579	173,548	88,402
Athletic Support Groups	3,856	45,139	44,959	4,036
Monticello Trails Activity Funds				
Yearbook Club	25,265	20,397	14,533	31,129
Choir Club	1,616	2,518	3,961	173
STUCO	14,584	15,361	14,289	15,656
Robotics	354			354
Science Olympiad	1,750	3,211	3,558	1,403
Millcreek Activity Funds				
Band Club	30	3,242	3,186	86
Activity	360	15,679	14,256	1,783
Art	1,407	3,663	3,811	1,259
FACS	677	4,844	5,387	134
Agenda	2,098	4,763	2,835	4,026
Science	542	1,408	1,777	173
Science Olympiad	70			70
Yearbook	1,903	19,044	17,067	3,880
STUCO	3,062	3,130	4,501	1,691
Lexington Trails Activity Funds				
Yearbook Club	1,862	5,380	4,427	2,815
STUCO	216	516	374	358
Robotics	64	25		89
Science Olympiad	53	877	812	118
Science	3,845	175	1,550	2,470
Technology	841		451	390
Basketball	1,481	809	762	1,528
Wrestling	1,327		125	1,202
Art Club	1,038	1,418	243	2,213
FACS	47	2,101	2,103	45
Band Club	734	8,812	7,345	2,201
Riverview Activity Funds				
Choir Club	609	1,849	2,085	373
Clear Creek Activity Funds				
Classes	4,553		2,420	2,133
Activities	3,576	7,025	6,003	4,598
Fundraisers	10,963		9,779	1,184
Art & Choir Clubs	202	4,559	3,840	921
Prairie Ridge Elementary Activity F				
Choir & Clubs	749	3,346	1,667	2,428
Fundraisers	6,237		890	5,347
Char. Council	268	1,092	1,257	103
Horizon Elementary Activity Funds				
Activity	469	194	198	465
Choir Club	69	2,378	2,109	338
Belmont Elementary Activity Funds				
Activity	3,402	1,147	3,800	749
Fundraisers	4,866	2,731	2,935	4,662
Mize Elementary Activity Funds				
Art/Tech	916	3,516	34	4,398
Fundraiser	3,120	1,039	1,279	2,880
Clubs	3,165	3,969	1,401	5,733
Total	\$ 312,778	\$ 729,572	\$ 725,395	\$ 316,955

...KL...

Karlin & Long, LLC
Certified Public Accountants

Board of Education
Unified School District No. 232
DeSoto, Kansas

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and the related notes to the financial statements of Unified School District No. 232 as of and for the year ended June 30, 2018 and have issued our report thereon dated October 31, 2018.

The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unmodified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Unified School District No. 232, DeSoto, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unified School District No. 232, DeSoto, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 232, DeSoto, Kansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2018-001).

Compliance and Other Matters

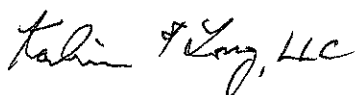
As part of obtaining reasonable assurance about whether Unified School District No. 232's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Karlin & Long, LLC
Certified Public Accountants

October 31, 2018

...KL...

Karlin & Long, LLC
Certified Public Accountants

Board of Education
Unified School District No. 232
DeSoto, Kansas

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited United School District No. 232's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the United School District No. 232's major federal programs for the year ended June 30, 2018. United School District No. 232's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the United School District No. 232's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the United School District No. 232's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the United School District No. 232's compliance.

Opinion on Each Major Federal Program

In our opinion, the United School District No. 232, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

United School District No. 232's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. United School District No. 232's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the United School District No. 232, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the United School District No. 232's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the United School District No. 232's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Karlin & Long, LLC
Certified Public Accountants
October 31, 2018

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor Number	Federal Expenditures
<hr/> U.S. Department of Education <hr/>			
Passed through State Department of Education:			
Title I	84.010	*	\$ 144,594
EHC Flo-Thru	84.027	*	1,109,604
Reserve Fund	84.048	*	26,864
Early Childhood Aid	84.173	*	18,476
English Language	84.365	*	19,299
Title II - Teacher Quality	84.367	*	96,826
ESSA - Student Support	84.424	*	4,544
Total U.S. Department of Education Cluster			<hr/> 1,420,207 <hr/>
<hr/> U.S. Department of Agriculture <hr/>			
Passed through State Department of Education:			
School Breakfast Program	10.553	*	57,733
National School Lunch Program	10.555	*	734,471
SFS - Food	10.559	*	40,269
Total U.S. Department of Agriculture Cluster			<hr/> 832,473 <hr/>
<hr/> U.S. Department of Health and Human Services <hr/>			
Passed through State Department of Education:			
Youth Risk Behavior	93.079	*	300
Parents as Teachers	93.558	*	910
Total U.S. Department of Health and Human Services Cluster			<hr/> 910 <hr/>
Total Federal Assistance			<hr/> <hr/> \$ 2,253,890 <hr/>

* Not available

UNIFIED SCHOOL DISTRICT NO. 232
Desoto, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2018

A. Summary of Audit Results

1. The auditor's report expresses an Adverse Opinion on the financial statements of Unified School District #232 in accordance with Generally Accepted Accounting Principles. The auditor's report expresses an Unmodified Opinion on the financial statements in accordance with the regulatory basis.
2. There is a significant deficiency relating to the audit of the general purpose financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards that are not material weaknesses.
3. No instances of noncompliance material to the financial statement of Unified District #232 were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit that would be required to be reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Unified School District #232 expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs included:
Department of Education
Special Education Clusters CFDA No. 84.027, 84.173 and Child Nutrition Cluster CFDA No. 10.555
8. Unified School District #232 was determined not to be a low-risk auditee.
9. The threshold for distinguishing types A and B programs was \$750,000.

B. Findings – Financial Statement Audit
None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit
Department of Education
EHC Flo-Thru 84.027 and EC Flo Thru 84.173

No findings of noncompliance or questioned costs were noted.

UNFIED SCHOOL DISTRICT NO. 232
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

2017-001 Financial Reporting

Criteria – All school districts are required to prepare financial statements in accordance with the basis of accounting adopted. This is a responsibility of the District's management. The preparation of financial statements requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including note disclosures (i.e., external financial reporting).

Condition – As in the case with many smaller and medium sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide fund and fund financial statements, including note disclosures, as part of the external financial reporting process. Accordingly, the District's ability to prepare financial statements is based, in part, on its external auditors, who cannot by definition be considered a part of the District's internal controls financial reporting.

Cause – Management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the external auditors rather than incur the time and expense of obtaining the necessary training and expertise require for the district to perform this task internally.

Effect of Condition – As a result of this condition, the District lacks internal controls over the preparation of financial statements, including note disclosures, in accordance with the basis of accounting adopted, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation – we recognize that the district may not have the resources to have an accounting personnel to prepare government – wide and fund financial statements, including note disclosures, in conformity with the adopted basis of accounting. However, we recommend that management continue to increase their knowledge of financial reporting.

View of Responsible Officials – The District has evaluated the benefit of establishing internal controls over the preparation of financial statements, including note disclosures, and determined that it is their best of the District to outsource this task to its external auditors, and to carefully review the draft financial statements, including note disclosures, prior to approving them and accepting responsibility for their content and preservation.

Management's Response (Unaudited) – The district believes that outsourcing the financial statement presentation is acceptable in the circumstances.

UNFIED SCHOOL DISTRICT NO. 232
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

2018-001 Financial Reporting

Criteria – All school districts are required to prepare financial statements in accordance with the basis of accounting adopted. This is a responsibility of the District's management. The preparation of financial statements requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including note disclosures (i.e., external financial reporting).

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Effect of Condition – As a result of this condition, the District lacks internal controls over the preparation of financial statements, including note disclosures, in accordance with the basis of accounting adopted, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation – we recognize that the district may not have the resources to have an accounting personnel to prepare government – wide and fund financial statements, including note disclosures, in conformity with the adopted basis of accounting. However, we recommend that management continue to increase their knowledge of financial reporting.

View of Responsible Officials – The District has evaluated the benefit of establishing internal controls over the preparation of financial statements, including note disclosures, and determined that it is their best of the District to outsource this task to its external auditors, and to carefully review the draft financial statements, including note disclosures, prior to approving them and accepting responsibility for their content and preservation.

Management's Response (Unaudited) – The district believes that outsourcing the financial statement presentation is acceptable in the circumstances.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Unified School District No. 232 under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principal, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a select portion of the operations of Unified School District No. 232, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Unified School District No. 232.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on a regulatory basis of accounting as described in the *Kansas Municipal Audit and Accounting Guide* (KMAAG). The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than mentioned above. Expenditures as reported on the Schedule are recognized under the basis described above and follow the cost principles contained in the Uniform Guidance regarding *Cost Principles* where in certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

UNIFIED SCHOOL DISTRICT NO. 232
DeSoto, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

NOTE 3 – Indirect Costs

Unified School District No 232 has elected not to use the 10 percent de minimis indirect cost rate allowed under uniform guidance.